

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-01 INR-07 L-03
NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06 AID-05
OMB-01 TRSE-00 EB-08 /070 W
-----120502Z 008050 /12
R 121243Z FEB 77
FM AMEMBASSY NEW DELHI
TO SECSTATE WASHDC 1188

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E.O. 11652: N/A
TAGS: PINT, IN
SUBJECT: GOVERNMENT "GIFTS" TO THE ELECTORATE

REF: NEW DELHI 1254

INTRODUCTION AND SUMMARY: DURING ELECTION CAMPAIGNS IN THE PAST IT HAS BEEN COMMON PRACTICE FOR THE CENTRAL AND STATE GOVTS TO ANNOUNCE A SERIES OF MEASURES DESIGNED TO BENEFIT VARIOUS SECTIONS OF THE ELECTORATE (REFTEL). THIS YEAR IS NO EXCEPTION. THE PURPOSE OF THESE GIFTS IS OBVIOUSLY TO ENHANCE THE RULING PARTY'S IMAGE AMONG THE VOTERS, AND THE PRACTICE HAS PROMPTED CRITICISM IN THE PRESS FOR THE TRANSPARENCY OF THE GOVT'S MOTIVES. AS A RECENT EDITORIAL IN THE "STATESMAN" WRYLY OBSERVED: "NEW DELHI SEEMS SUDDENLY TO HAVE AWAKENED TO AN URGENT SENSE OF PUBLIC NEEDS AND IS BUSY REGALING THE ELECTORATE WITH AN OSTENTATIOUS DISPLAY OF CONCERN AND ACTIVITY". END
INTRODUCTION AND SUMMARY.

1. A NOTABLE FEATURE OF THIS YEAR'S ELECTION GIFTS IS THAT THE CENTRAL GOVT APPEARS TO HAVE BEEN PARTICULARLY GENEROUS FOLLOWING THE RESIGNATION OF JAGJIVAN RAM, ESPECIALLY IN THE AREAS FOR WHICH HE HAD BEEN RESPONSIBLE AS AGRICULTURE MINISTER. THIS LARGESSE HAS ALSO BEEN MADE POSSIBLE BY THE RECORD AVAILABILITY
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OF FOODGRAINS. SOME OF THE RECENT ACTIONS HAVE INCLUDED:
(A) ON FEBRUARY 6, THE GOI ANNOUNCED A SERIES OF STEPS TO ENSURE EASY AVAILABILITY OF FOOD GRAINS THROUGH THE PUBLIC ADMINISTRATION SYSTEM: STATES WERE ADVISED TO INCREASE THE SCALE OF RATIONS BY 50 PERCENT; TO EXPAND THE PUBLIC DISTRIBUTION SYSTEM; AND IN ORDER TO HELP CONSUMERS IN SPARSELY POPULATED AREAS, TO SELL WHEAT AND MILO IN WEEKLY MARKETS WITHOUT THE REQUIREMENTS OF

A RATION CARD. THE SME DAY THE GOI DECLARED THE WHOLE COUNTRY AS A SINGLE ZONE FOR THE MOVEMENT OF WHEAT PRODUCTS, AND ALSO ENLARGED THE SOUTHERN RICE ZONE. FURTHER, A COMMODITY STABILIZATION CORPORATION IS TO BE ESTABLISHED TO OPERATE BUFFER STOCKS FOR MAJOR AGRICULTURAL COMMODITIES. AN OFFICIAL PRESS NOTE SAID THAT THESE STEPS WERE TAKEN TO ENSURE A SUFFICIENT SUPPLY OF GRAINS AT REASONABLE PRICES TO CONSUMERS.

(B) THE GOI ANNOUNCED ON FEBRUARY 7 A REDUCTION IN FERTILIZER PRICES RANGING APPROXIMATELY FROM 4 PERCENT TO 30 PERCENT. THE OSTENSIBLE PURPOSE WAS TO BOOST BALANCED FERTILIZER APPLICATION.

(C) THE GOI ANNOUNCED ON FEBRUARY 6 THE SELECTION OF 20 DISTRICTS IN 18 STATES FOR INTEGRATED RURAL DEVELOPMENT. THE STATED OBJECTIVE IS TO PROVIDE GAINFUL EMPLOYMENT TO AND INCREASE THE PURCHASING POWER OF THE RURAL POOR.

(D) THE GOI MINISTER IN CHARGE OF BANKING ON JANUARY 31 ASKED REGIONAL RURAL BANKS TO STEP UP THEIR ACTIVITIES IN RURAL AREAS AND TO PLACE SPECIAL EMPHASIS DURING THE COMING (MONSOON) SOWING SEASON ON SERVING SMALL AND MARGINAL FARMERS. ALSO, THE CONGRESS PARTY MANIFESTO PROMISED THE ESTABLISHMENT OF AN AGRICULTURAL DEVELOPMENT BANK TO MEET CREDIT REQUIREMENTS AND COORDINATE THE ACTIVITIES OF RURAL CREDIT INSTITUTIONS.

(E) URBAN DEVELOPMENT-- THE GOI SANCTIONED ON FEBRUARY 4 OVER RS. 155 MILLION IN LOANS TO NINE STATES FOR INTEGRATED URBAN DEVELOPMENT IN METROPOLITAN CITIES.

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(F) JUST BEFORE THE ANNOUNCEMENT OF ELECTIONS, THE GOVT ANNOUNCED THE EXTENSION OF THE TERMS OF MILITARY SERVICE FOR OFFICERS AND NONCOMS, A MOVE PRESUMABLY WELCOMED BY MILITARY PERSONNEL SINCE IT WILL ALLOW THEM TO RETIRE LATER, EARN MORE MONEY OVER THE LONG RUN AND EVENTUALLY RECEIVE HIGHER PENSIONS.

2. STATE GOVTS AS WELL HAVE OFFERED THEIR GIFTS TO THE VOTERS. THE PUNJAB GOVT DECLARED A TAX RELIEF PROGRAM FOR HOMEOWNERS IN URBAN AREAS. CERTAIN LOW INCOME PERSONS WILL BE TOTALLY EXEMPT FROM PAYING HOUSE TAXES.

IN TAMIL NADU, THE STATE GOVT EARMARKED RS. 22.8 MILLION FOR ASSISTANCE TO WEAVERS' COOPERATIVES, WHICH ARE ENCOUNTERING DIFFICULTIES. THE STATE GOVT ALSO ANNOUNCED ITS INTENTION TO PURCHASE 17 MILLION SQUARE METERS OF CLOTH TO HELP REDUCE THE CURRENT GLUT IN THE HANDLOOM MARKET. IN THE UNION TERRITORY OF DELHI, THE GOVT ANNOUNCED ITS DECISION TO APPROVE VARIOUS UNAUTHORIZED COLONIES IN THE METROPOLITAN AREA. SINCE THE EMERGENCY, SEVERAL SUCH "SQUATTER" COLONIES HAD BEEN DEMOLISHED AND THEIR

INHABITANTS FORCIBLY RESETTLED ELSEWHERE. THESE OTHER SETTLEMENTS ARE NOW BEING TOLD THEY WILL BE LEFT ALONE. THE U.P. GOVT ON JANUARY 27 DECLARED THAT ALL CURRENT TENANT FARMERS IN THE STATE WERE TO BECOME EGULAR OWNERS OF THE LAND THEY TILLED WITHOUT HAVING TO PAY THE USUAL LAND REVENUE REQUIRED FOR SUCH A TRANSACTION. THE DECISION, TO TAKE IMMEDIATE EFFECT, WILL REPORTEDLY AFFECT 7.5 MILLION TENANT FARMERS. MORE RECENTLY, THE DELHI ADMINISTRATION DECIDED THAT NO NEW CIVIC TAXES WILL BE IMPOSED, NOR WILL EXISTING TAX RATES BE INCREASED, IN THE UNION TERRITORY IN THE COMING FINANCIAL YEAR, DESPITE A PROJECTED RS. TWO MILLION DEFICIT IN THE MUNICIPAL BUDGET. IN ADDITION, THE DELHI AUTHORITIES ANNOUNCED A RETROACTIVE AND SUBSTANTIAL INCREASE IN WAGES FOR THE CITY'S 75,000 CONTRACT EMPLOYEES.(CONT....)

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INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-01 INR-07 L-03
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R 111243Z FEB 77
FM AMEMBASSY NEW DELHI
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REF: NEW DELHI 1254

3. COMMENT: GOI ECONOMIC SOCIAL ANNOUNCEMENTS IN THE PAST FEW WEEKS ARE OF RELATIVELY LIMITED ECONOMIC SIGNIFICANCE. SEVERAL OF THE MEASURES WERE ACTUALLY INSTITUTED A FEW MONTHS AGO. THE INCREASE IN RATIONS AT FAIR PRICE SHOPS IS NOT IMPORTANT, PARTLY BECAUSE OF THE AVAILABILITY OF FOODGRAINS IN THE OPEN MARKET. THE ESTABLISHMENT OF ONE COUNTRY-WIDE ZONE FOR THE MOVEMENT OF WHEAT PRODUCTS (IN CONTRAST TO WHEAT) WILL NOT HAVE MUCH IMPACT, ALTHOUGH IT WILL HELP IN THE STORAGE AND DISTRIBUTION OF WHEAT PRODUCTS. THE ENLARGEMENT OF A SOUTHERN RICE ZONE IS A STEP FORWARD BECAUSE IT WILL PROBABLY EVEN OUT SOME EXTENT THE DISPARITIES BETWEEN SURPLUS AND DEFICIT RICE GORWING AREAS IN THE SOUTH.

THE REDUCTION IN FERTILIZER PRICES IS EXPECTED TO HAVE LITTLE

IMPACT ON THE CURRENT RABI CROP, WHILE OTHER FACTORS (MONSOON AND PROCUREMENT PRICES) WILL BE MORE IMPORTANT IN DETERMINING FERTILIZER CONSUMPTION FOR THE UPCOMING KHARIF CROP. THAT THIS WAS A SUDDEN DECISION IS SUGGESTED BY PRESS REPORTS RAISING THE QUESTION OF HOW LOWER PRICES WILL BE FUNDED BY FERTILIZER FACTORIES. THE RELIEF TO THE HANDLOOM INDUSTRY IN TAMIL NADU IS RELATED TO THE GENERAL EFFORT TO HELP THE TROUBLED HANDLOOM SECTOR.

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4. PERHAPS ONE OF THE MOST PATENTLY OBVIOUS "INDUCEMENTS" OFFERED BY THE GOVT WAS THE LIBERALIZATION OF THE BONUS LAW, PROCLAIMED ON THE EVE OF MRS. GANDHI'S ANNOUNCEMENT OF ELECTIONS. THE EFFECT WILL BE THAT HENCEFORTH COMPANIES WHICH MAKE A NET PROFIT MUST PAY THEIR EMPLOYEES A MINIMUM BONUS OF RS. 100 EVEN IF THEY DO NOT HAVE SURPLUS FUNDS ON HAND AVAILABLE FOR ALLOCATION. DESPITE THE SEEMING LARGESSE, WORKERS GENERALLY HAVE DISMISSED THE RS. 100 BONUS AS AN INSUFFICIENT TLKEN. ALSO , THERE ARE SEVERAL MAJOR INDUSTRIAL SECTORS (SUCH AS COAL) WHERE THE LIBERALIZATION OF THE BONUS LAW WILL HAVE NO EFFECT, BECAUSE THESE INDUSTRIES CONTINUE TO SUFFER LOSSES.
(NEW DELHI 2021.)

5. IN SHORT, THESE HASTY GIFTS APPEAR TO HAVE MARGINAL IMPACT ON THE ECONOMY; THEIR COSMETIC VALUE TO THE RULING PARTY CANNOT BE EVALUATED
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Message Attributes

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